AUCLOUD

Sovereign Cloud Holdings Limited
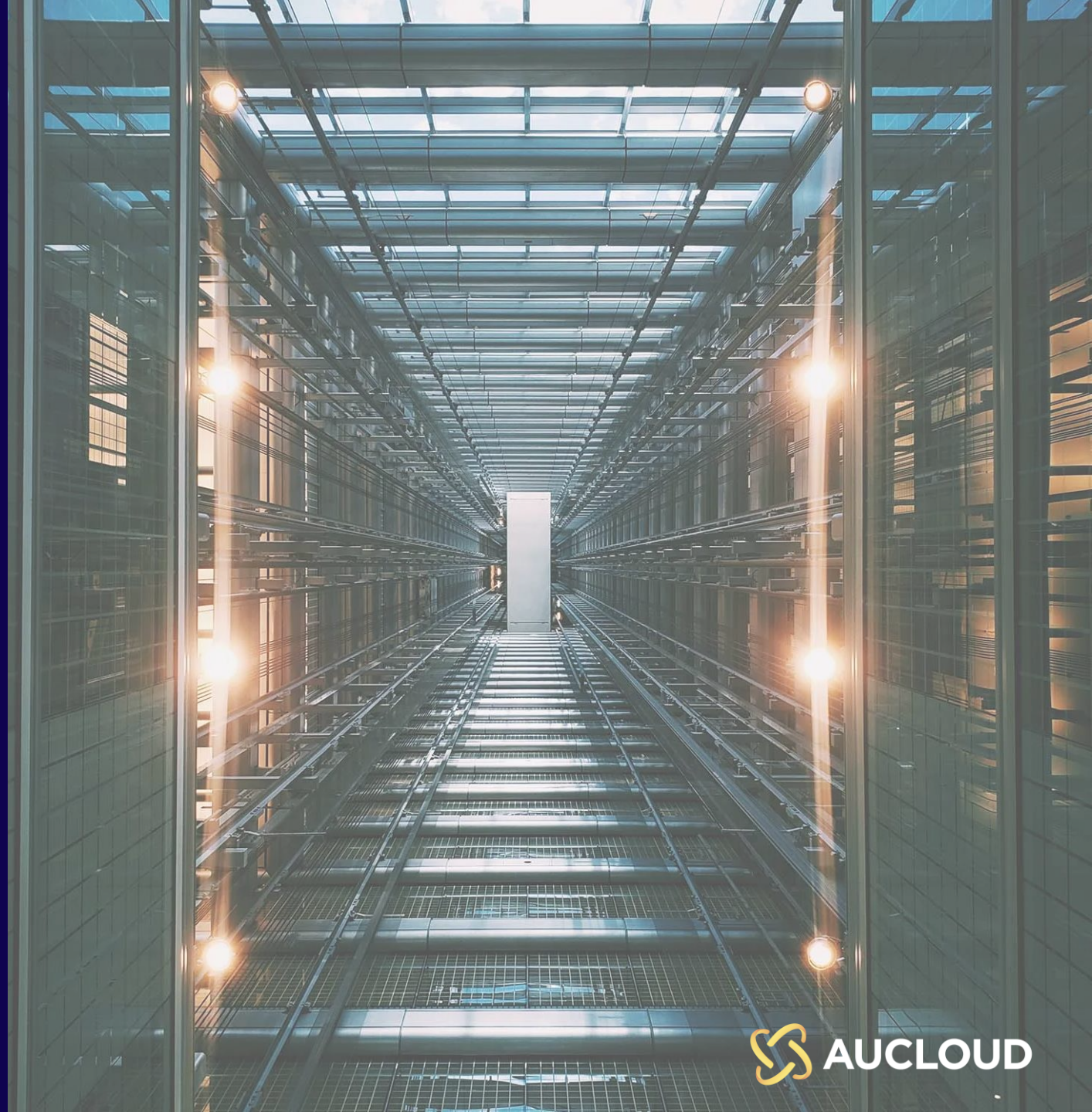## FY22 Preliminary Results

28 July 2022

Disclaimer

The FY22 financial numbers presented in this presentation represent preliminary estimates and are still subject to audit and finalisation.

Audited financial statements, within the Appendix 4E for FY22 are scheduled to be released to the market on 26 August 2022.

AUCLOUD

FY22 Highlights[1]

Revenue Growth
Revenues increased $1.7m (67%) to $4.2m
- Increased revenues reflect ramp-up of business operations, albeit below expectations
- IaaS Consumption Revenues accounted for ~91% of overall Revenues

Total Contract Value
TCV Outstanding increased $0.5m (9%) to $6.5m at 30 June 2022
- TCV Closed, decreased $2.3m (30%) to $5.4m, noting FY21 included the AEC contract win of $2.8m in June 2021[2]
- Sales momentum adversely impacted by on-going COVID-19 interruptions and the Federal Election
- Sales pipeline for FY23 is already benefiting from the enhanced legislative framework, expanded sales team and improved focus

Capitalised for Growth
Net cash of $27.3m at 30 June 2022
- NEXTDC placement (19.99%) and entitlement offer raised net proceeds of $34 million in December 2021
- Well capitalised to pursue ongoing investment across three pillars of growth: Platforms, Products & People
- AUCloud continues to scale up its operations in response to growing customer demand for sovereign cloud services

Network expansion
Continued investment in AUCloud's expanding national footprint
- Rollout of AUCloud's new Sovereign Bridge in June 2022 as an innovative customer on-boarding solution developed in response to supply chain challenges in the wider market
- Opening of new Sovereignty Zones in Brisbane and Melbourne impacted by supply chain delays, now expected to commence in Q2FY23 and Q3FY23 respectively

Industry Tailwinds
Heightened market awareness in areas of data sovereignty and security
- The Security of Critical Infrastructure Act (**SOCI**) was recently amended, resulting in an expansion of AUCloud's addressable market in the Critical Infrastructure Sectors – refer page 19
- Government tenders are increasingly focused on how data sovereignty requirements are to be addressed

Note: Refer page 24 for Glossary.
1. Percentage changes expressed relative to FY21. 2. AUCloud TCV calculations exclude GST

AUCLOUD

Financial Performance

AUCLOUD

Profit & Loss[1]

FY22 Underlying EBITDA loss increased by $3.9m (53%) to $11.3m as revenue growth was outstripped by investment costs attributable to the expansion of the national footprint

- Total Revenues increased $1.7m (67%) to $4.2m

- Cost of Sales increased by $1.3m (64%) to $3.4m

  – Increase in direct costs in line with greater IaaS Revenues

  – Excludes AASB 16 right-of-use assets amortisation and interest charges attributable to data centre leases – refer Appendix B

- Total Operating Expenses increased by $3.7m (44%) to $11.9m

  – Driven by 46% increase in Employee Expenses, with an additional (net) 26 FTEs (62%) joining AUCloud in FY22

- Loss after tax of $15.5m (FY21: $11.6m loss), largely reflects depreciation and amortisation charges, with no tax expense benefit recorded in the accounts (refer Appendix B)

Profit & Loss Summary ($m)	FY22	FY21	Change
IaaS Consumption Revenue	3.9	2.4	62%
IaaS Services Revenue	0.4	0.1	nm
Total Revenue	**4.2**	**2.5**	**67%**
Cost of Sales	(3.4)	(2.1)	64%
Gross Profit	**0.9**	**0.5**	**80%**
Employee Expenses	(9.3)	(6.4)	46%
Other Operating Expenses	(2.6)	(1.9)	39%
Total Operating Expenses	**(11.9)**	**(8.2)**	**44%**
EBITDA	**(11.0)**	**(7.7)**	**42%**
Underlying EBITDA[2]	**(11.3)**	**(7.4)**	**53%**
Profit / (Loss) after tax[2]	**(15.5)**	**(11.6)**	**34%**

Note: Refer page 24 for Glossary.
1. Percentage increase expressed relative to FY21. 2. Refer page 23 for reconciliations of EBITDA to Underlying EBITDA to Loss after tax

AUCLOUD

Revenue

AUCloud continues to experience growth in IaaS revenues

- FY22 IaaS revenues increased $1.7m (67%) to $4.2m[1]
  - 62% growth in IaaS Consumption revenue
  - Increase in IaaS Consumption revenue within the period was largely attributable to the Federal Election activity connected to the AEC contract
  - IaaS services revenue driven by the setup and implementation of the Arqit Pilot environment
- Growth in new customer and partner footprint continued, with customer resilience services (Backup, Disaster Recovery, SOCaaS), facilitating market entry

Revenue Summary ($m)

FY20-FY22 CAGR: 129%

$4.2m

$2.5m

$0.8m

FY20   FY21   FY22

■ IaaS Consumption Revenue   ■ IaaS Services Revenue

*1. Percentage increase expressed relative to FY21*

AUCLOUD
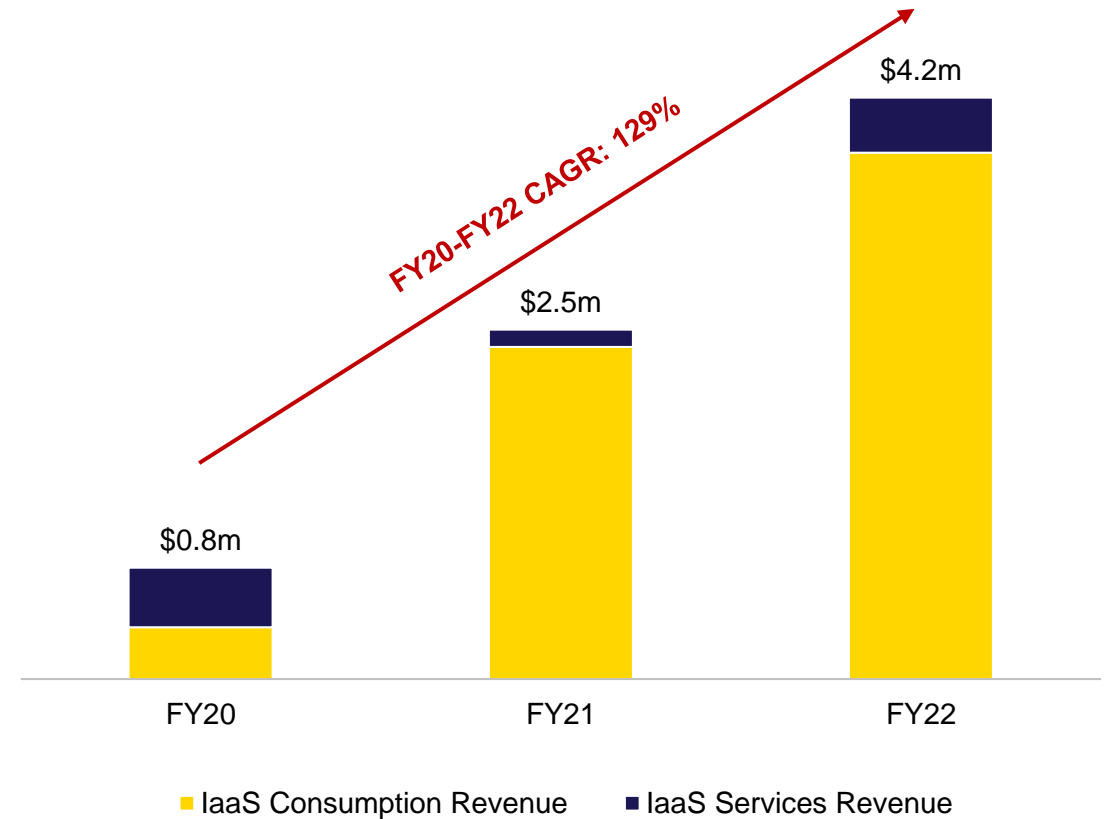
Total Contract Value

## TCV Outstanding continues to underpin future IaaS revenues

- TCV Outstanding increased $0.5m (9%) to $6.5m[1]
  - ANU's wind-down of VDIaaS contract offset growth
  - Successful customer contract renewal programme in FY22, with extensions continuing to drive growth in TCV Outstanding
- TCV Closed decreased $2.3m (30%) to $5.4m during FY22
  - Sales performance did not meet expectations
  - Federal Election, resulted in a visible slowdown in the sales cycle
  - FY21 performance bolstered via AEC contract win of $2.8m in June 2021[2]
- The sales pipeline of qualified opportunities has strengthened for FY23
  - stronger regulatory framework, with increased focus on data security
  - enlarged and revitalised sales team under new leadership
- Expanded focus on growing sales through direct to customer and channel partners, including leveraging GTM opportunities via global partners, MSP and ISVs

TCV Outstanding ($m)

6/20A	6/21A	6/22A
$0.8m	$6.0m	$6.5m

TCV Closed ($m)

FY20	FY21	FY22
$2.1m	$7.7m	$5.4m

1. Percentage increase expressed relative to FY21 2. AUCloud TCV calculations exclude GST
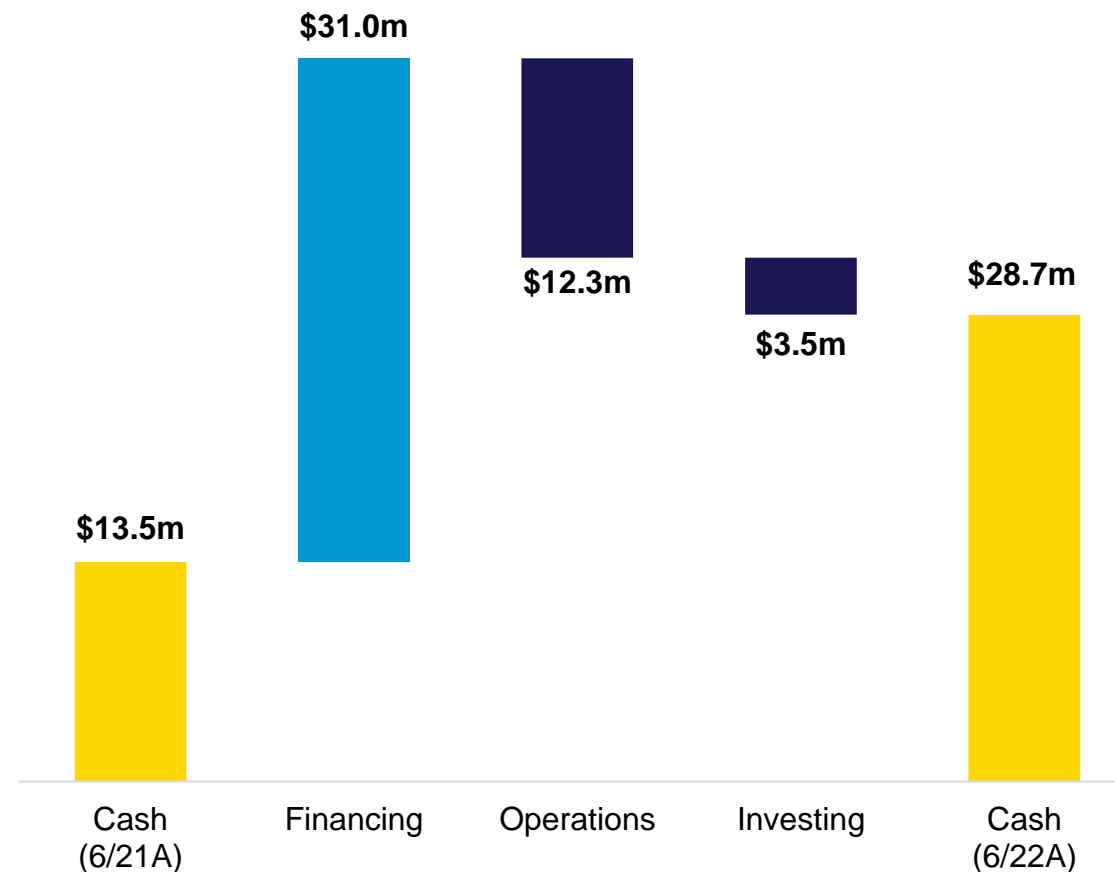
AUCLOUD
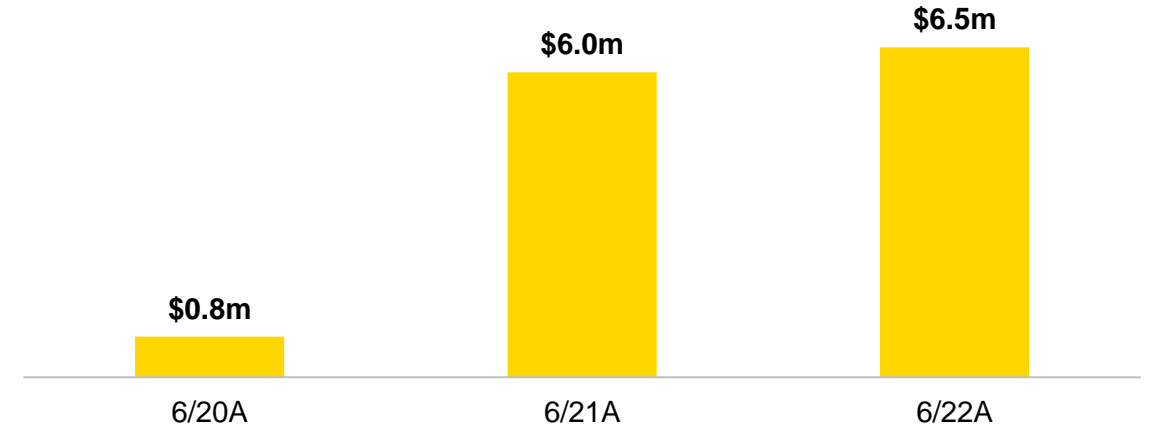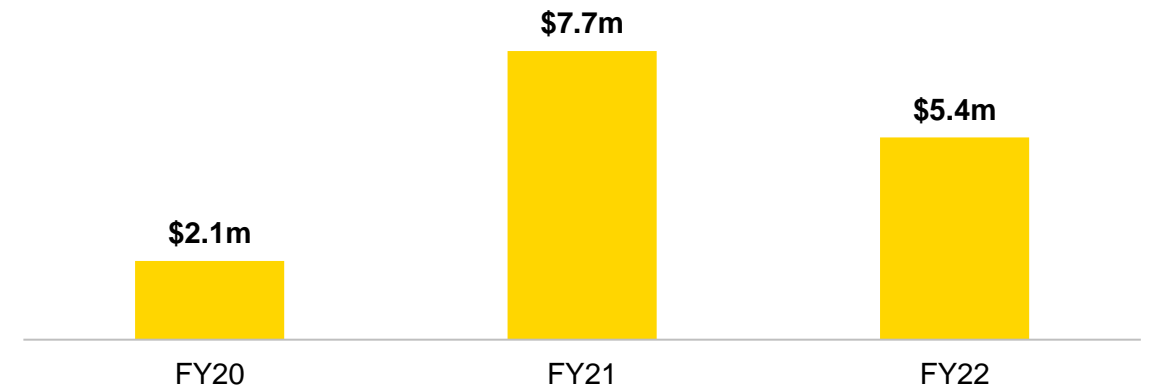
Cash Flow

Well capitalised to pursue strategic growth initiatives

- Cash of $28.7m and debt of $1.4m at 30 June 2022

- Net cash inflows from Financing activities of $31.0m

  – Net proceeds of equity raising ($34.1m)

  – Repayment of lease liabilities ($1.1m)[1]

  – Repayment of borrowings ($2.0m)

- Net cash outflow from Operations of $12.3m

  – Record cash receipts from customers of $4.6m

  – Offset by larger employment costs and overheads as AUCloud invests in expanding its national platform

  – 3-year prepaid maintenance & support charges of $1.5m

- Net cash outflow from Investing (capital expenditure) of $3.5m

  – Predominately related to investment in storage and compute capacity for growth in existing and anticipated customer usage

- Forecast capital expenditure of $7m to $10m in FY23

  – New cloud Sovereignty Zones in Brisbane and Melbourne (delayed)

  – Expansion of new SaaS product offerings (e.g. Workspace ONE)

Cash Flow Summary ($m)

$13.5m	$31.0m	$12.3m	$3.5m	$28.7m
Cash (6/21A)	Financing	Operations	Investing	Cash (6/22A)

1. Data centre lease payments relating to AASB 16 right-of-use assets

AUCLOUD

Growth Initiatives

Australia's Sovereign Cloud Provider

AUCLOUD

Investment in Platforms, Products & People

Enable AUCloud to fast track its vision to become the leading sovereign cloud provider in Australia

Platforms

Deliver new regions
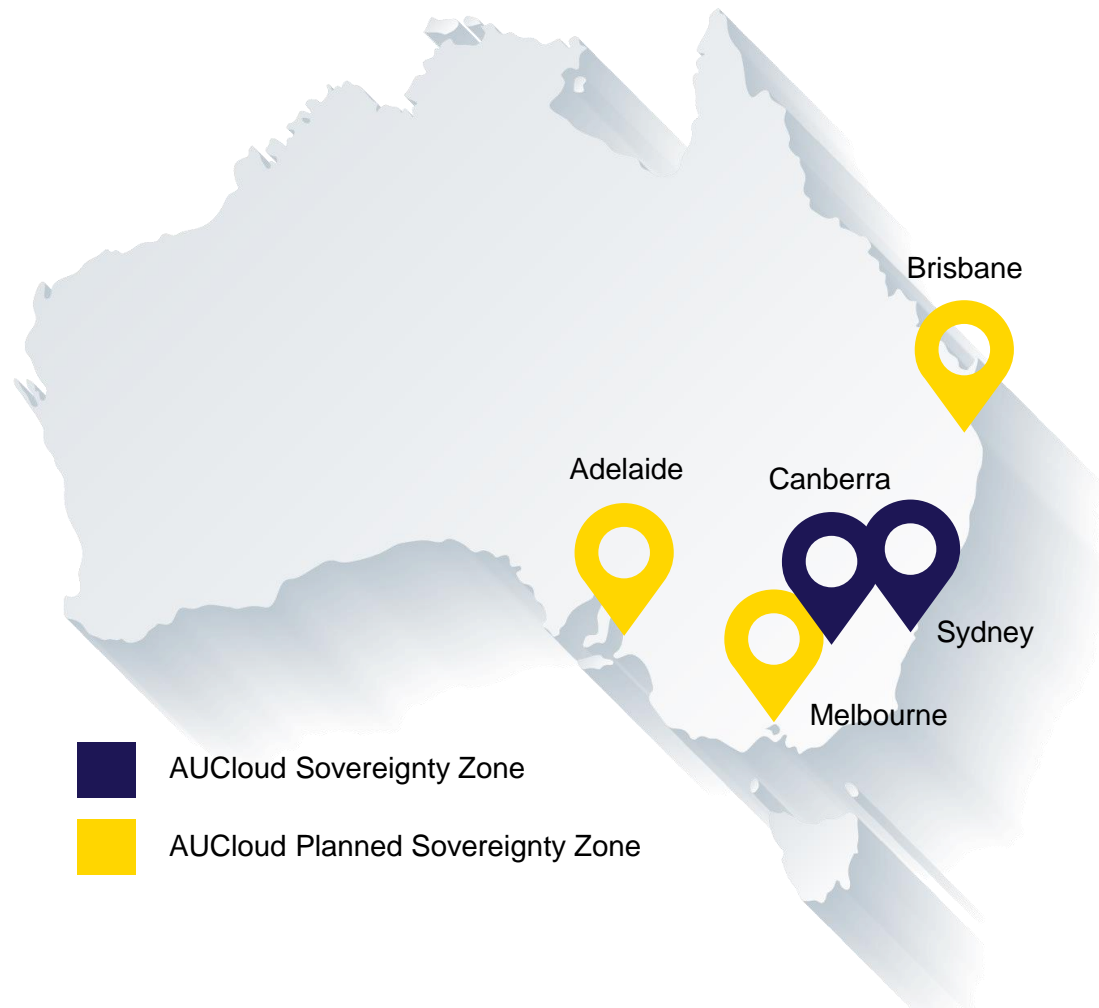for new communities

Products

Create new features & functionality
for customers

People

Expanding the team to increase the
scope of activities & geographic footprint

AUCLOUD

AUCloud Platform Expansion

Brisbane

Adelaide   Canberra

Sydney

Melbourne

■ AUCloud Sovereignty Zone

■ AUCloud Planned Sovereignty Zone

Strategic Focus

- **Leverage the new strategic partnership with NEXTDC including through the rollout of the new Sovereign Bridge in addition to Sovereignty Zones in Brisbane, Melbourne and Adelaide**

Achievements

- Launch of Sovereign Bridge in June 2022, in partnership with NEXTDC, allows AUCloud to provide government and critical infrastructure sectors faster, more efficient, more capable, and more secure local access to their sovereign workloads across Australia
  - Developed as an innovative customer onboarding solution developed in response to supply chain challenges
  - Capex-light initiative to drive revenue opportunities through market expansion following NEXTDC strategic partnership
- Advanced planning and development for the rollout of cloud Sovereignty Zones
  - Hardware orders placed for Brisbane and Melbourne, with completion targeted for Q2FY23 and Q3FY23 respectively (previously: Q4FY22 and Q2FY23)
  - Adelaide (Q4FY23)
- Partnership announcement with Arqit Quantum Inc
  - AUCloud now providing the underlying infrastructure and accredited environments to allow for Australian deployment of a Sovereign Quantum Cloud to support local and world-wide assessments of quantum safe solutions

AUCLOUD

AUCloud Sovereign Bridge

Launched in June 2022, AUCloud's Sovereign Bridge provides customers superior access to their sovereign workloads across Australia

High capacity, high speed, secure network services from AUCloud via AUCloud Sovereign Bridge

Darwin

Sunshine Coast

Brisbane
AUCloud BSZ

Sydney
AUCloud SSZ

Adelaide

Canberra

Perth

AUCloud ASZ

AUCloud CSZ

AUCloud PSZ

Melbourne

AUCloud MSZ

Sydney
Canberra

Melbourne

- ● AUCloud Sovereign Zone Point-of-Presence
- ● AUCloud Sovereign Bridge On-ramp location
- ● Future Location
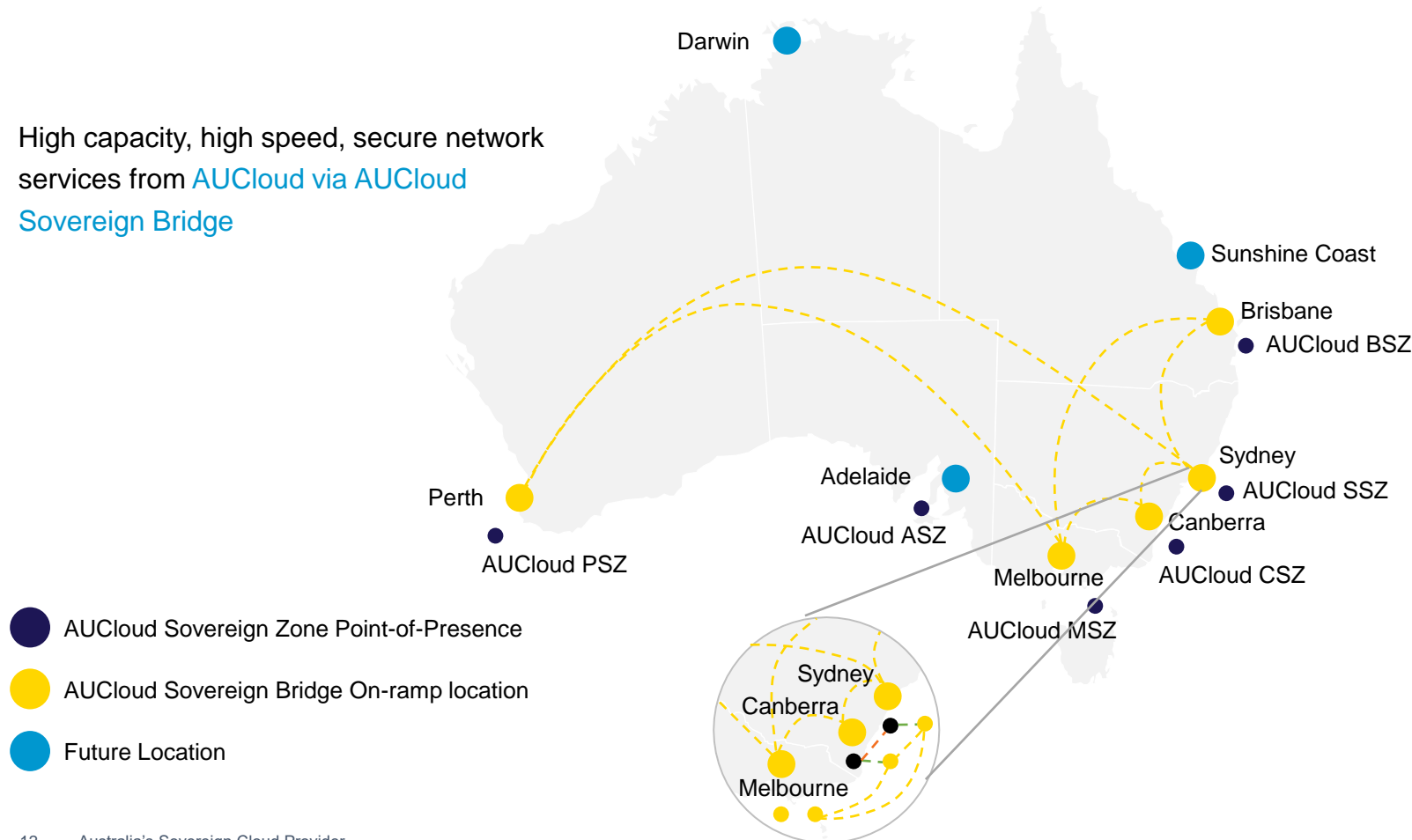
High speed, low latency and secure connectivity between physical and virtual resources within the data centre ecosystem to AUCloud services

Reduced network costs for high-speed transfer of large volumes of data

Dedicated connectivity paths that deliver your data quickly and securely

Ability to scale as you need from wherever you are

High performance and guaranteed quality of service

AUCLOUD

Strategic Partnerships

- NEXTDC own 19.99% shareholder in AUCloud

- AUCloud to embrace NEXTDC's deep market experience & customer/partner networks

- Rollout of AUCloud's new cloud Sovereignty Zones to be hosted inside NEXTDC data centre facilities, leveraging their Australian owned and Certified Strategic provider status and enabling greater access to security-conscious enterprise

- The launch of Sovereign Bridge in June 2022, in partnership with NEXTDC, allows AUCloud to now provide government and critical infrastructure sectors faster, more efficient, more capable, and more secure local access to their sovereign workloads across Australia

- VMware is the leading global provider of virtualisation technologies that underpin cloud IaaS.

- VMware along with global analyst (IDC, Gartner) have recently recognised the growing importance of Sovereign Cloud as a discrete market sector differentiated from Public Cloud

- In FY22 VMware's new global program certified AUCloud as one of only 10 VMware Sovereign Cloud launch providers and the first such provider in Australia

- AUCloud is now benefiting from this closer relationship with VMware in the core Government, Defence, and Critical Infrastructure markets

- Arqit Quantum Inc ('Arqit') (NASDAQ: ARQQ) provides unique quantum encryption Platform-as-a-Service which makes the communications links of any networked device secure against current and future forms of attack

- Aligned to growing strategic relationships with UK and US (AUKUS, Space Bridge, FTA)
  - Arqit has recently contracted with Australia's SmartsatCRC under an agreement between the UK and Australian Governments to deliver the first phase of work to Australia relating to Arqit's Federated Quantum System Project ('FQS')

- Partnership announcement with ARQIT was progressed in Q4FY22 with AUCloud now providing the underlying infrastructure and accredited environments to allow for Australian deployment of a Sovereign Quantum Cloud to support local and world-wide assessments of quantum safe solutions
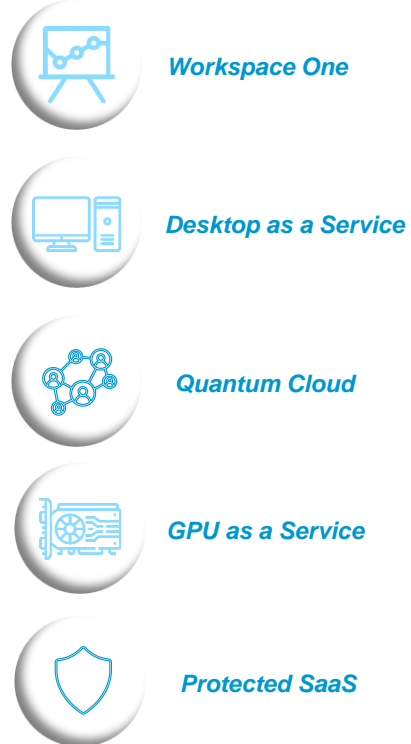
AUCLOUD

AUCloud Product Capability

AUCLOUD

Two Communities: Official Data or Protected Data

Existing Products

- Compute as a Service
- Storage as a Service
- Disaster Recovery as a Service
- Security Operations Centre as a Service
- Backup as a Service

Product Expansion Pipeline

- Workspace One
- Desktop as a Service
- Quantum Cloud
- GPU as a Service
- Protected SaaS

Strategic Focus

- **Create new features and functionality for customers to address adjacent revenues**
- **Investment in product capability to enable ISV and SaaS enablement and delivery**

Achievements

- AUCloud has established a credible SOCaaS offering to support the highest levels of cyber security defences following deployments for the AEC and other Federal Government and Defence customers
- Specific development of a portfolio of easier to adopt partner centric services to support their existing government, critical infrastructure and security conscious enterprise customer base
  - Allows customers to demonstrate progress against upgraded critical infrastructure legislation requirements - eg immutable backups to support against ransomware
- VMware's global acknowledgement of the importance of Sovereign Cloud and AUCloud's appointment as the first Australian provider is driving joint activities across all target markets

AUCLOUD

AUCloud Investment in People

FTE Growth (yoy)

Bar chart showing FTE Growth year-on-year:

- **Operations**: 10 (30-Jun-21), 23 (30-Jun-22), +13 New Additions
- **Sales & Marketing**: 8 (30-Jun-21), 17 (30-Jun-22), +9 New Additions
- **Engineers / Developers**: 24 (30-Jun-21), 28 (30-Jun-22), +4 New Additions

Legend: ■ 30-Jun-21 ■ 30-Jun-22 ⬭ New Additions
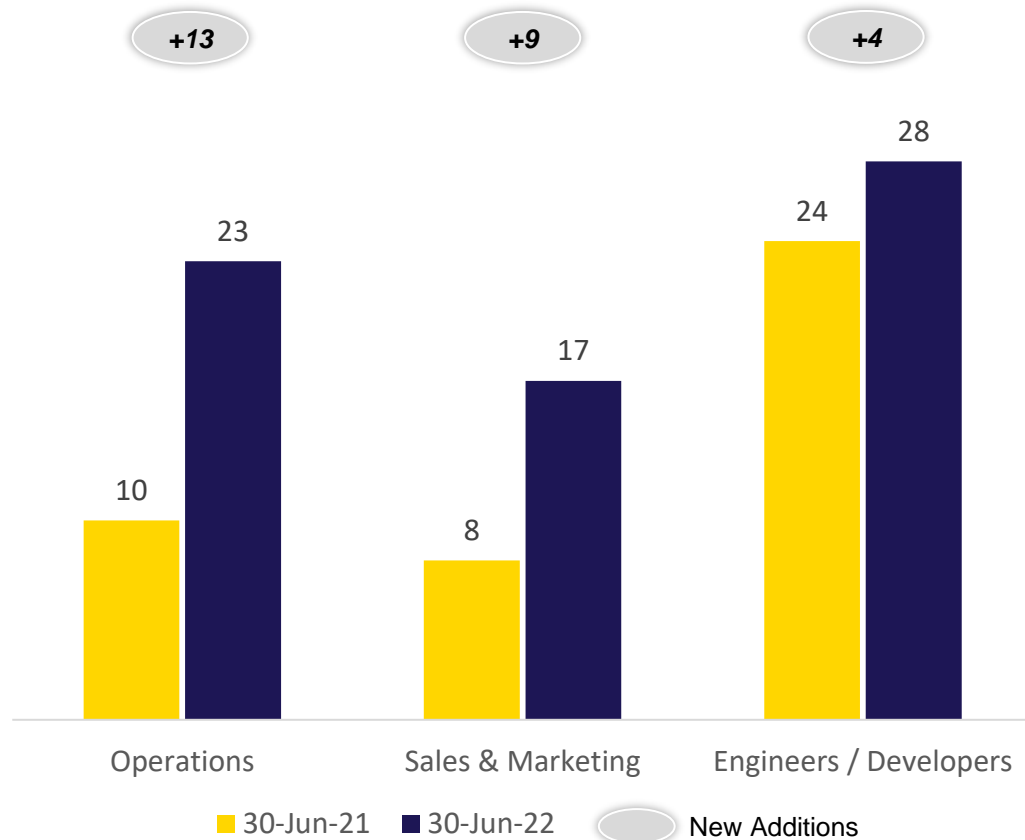
Strategic Focus

- **Large hiring plan to support growth at scale nationwide**
- **Deepening critical people capabilities across Engineering, Sales & Marketing, and Operations**

Achievements

- Internal hiring plan for FY22 was largely achieved, with AUCloud hiring (net) 26 (62%) FTE in FY22
  - The Company now has employees located across Canberra, Brisbane, Melbourne and Sydney
- Appointment of new Chief Revenue Officer commencing with AUCloud in H2FY22
- The build out of AUCloud's GTM to drive national expansion
  - Reset of GTM function under the leadership of new Chief Revenue Officer
  - Continue to invest in key hires to support the new GTM function, with several key appointments in FY22
- New hires delivered significant enhancement in product capability and service offerings
  - SOCaaS, Quantum Cloud, SECRET Cloud and AI

AUCLOUD

Appendix A

Australia's Sovereign Cloud Provider

AUCLOUD

Value Proposition

Sovereignty

Security

Performance

Efficiency enhancing technology

API first product development and a 'technology-managing-technology' process enhancing efficiency

Supported by major partners

Partnerships with VMware and Cisco to create a structurally sound technology stack

User centric and transparent pricing

Simple, consistent and competitive 'pay as you use' pricing model

Exclusive security

Implemented a world class threat security monitoring solution via e2e-assure

Data securely stored locally

All data securely stored and managed within Australian controlled and located data centres

Built to Government specifications

Solutions developed in conjunction with, and for, Government and critical infrastructure to operate to the highest level of security

Entering the enterprise market

Ready for expansion into security conscious enterprise customers with data sovereignty requirements

IRAP certified to PROTECTED

Meets and exceeds the Australian Signals Directorate ISM control requirements

Data privacy assured

Sovereign ownership limits application of foreign legislation

AUCLOUD

AUCLOUD

AUCloud Target Market

- Defence
- Federal Government
- State Government
- Critical Infrastructure Sectors
- Security Conscious Enterprise

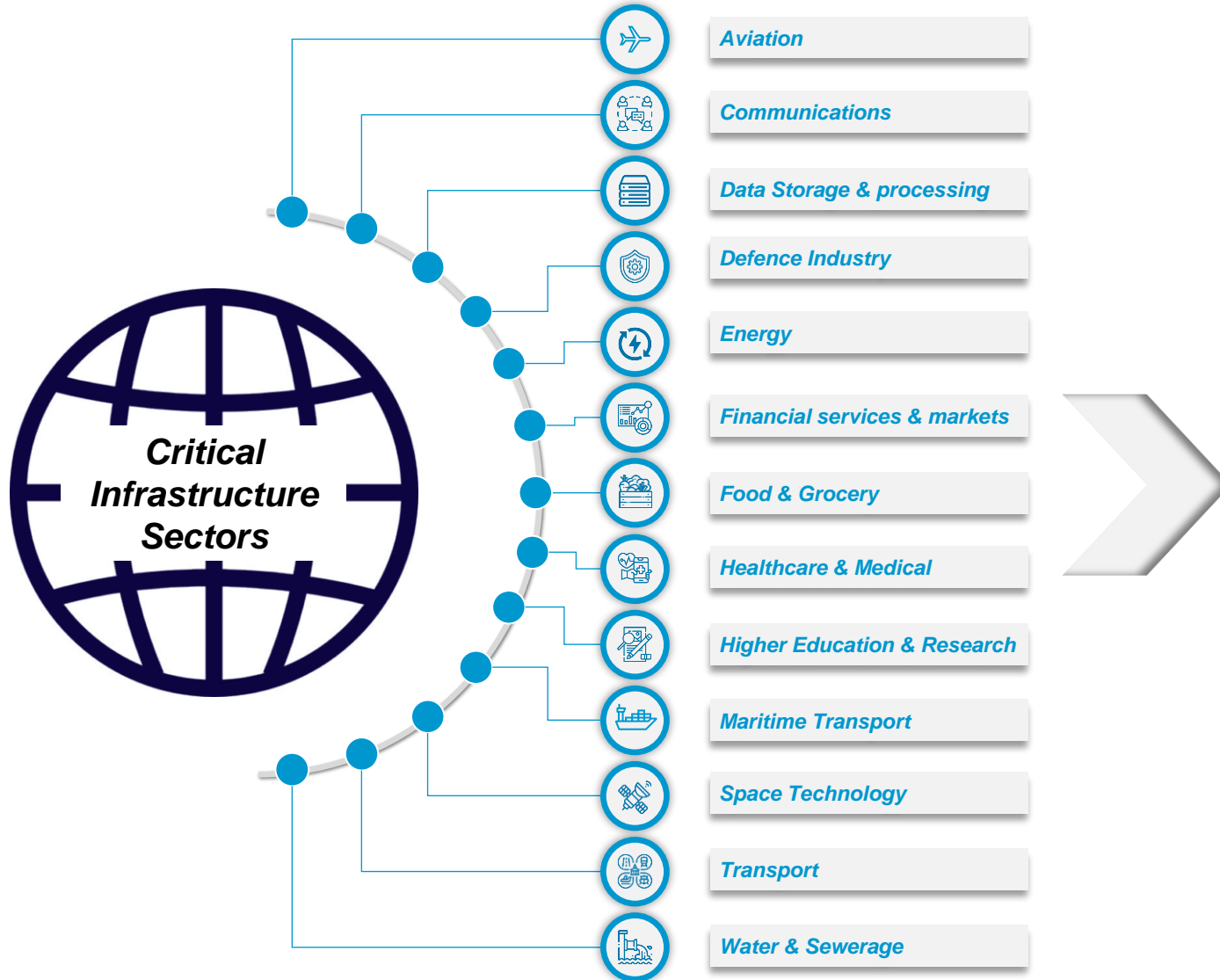Australian Cloud IaaS market is expected to grow from $988m in 2019 to **$3.0bn in 2025**[1]

> *"By 2025, 85% of infrastructure strategies will integrate on-premises, colocation, cloud and edge delivery options, compared with 20% in 2020"* [2]

AUCloud will continue to focus on its core market segments of Defence, Government and Critical Infrastructure Sectors which are now beginning to transition legacy applications and build new cloud native applications on cloud IaaS

AUCloud, in partnership with NEXTDC is expanding into the Enterprise market for security conscious customers with data sovereignty requirements

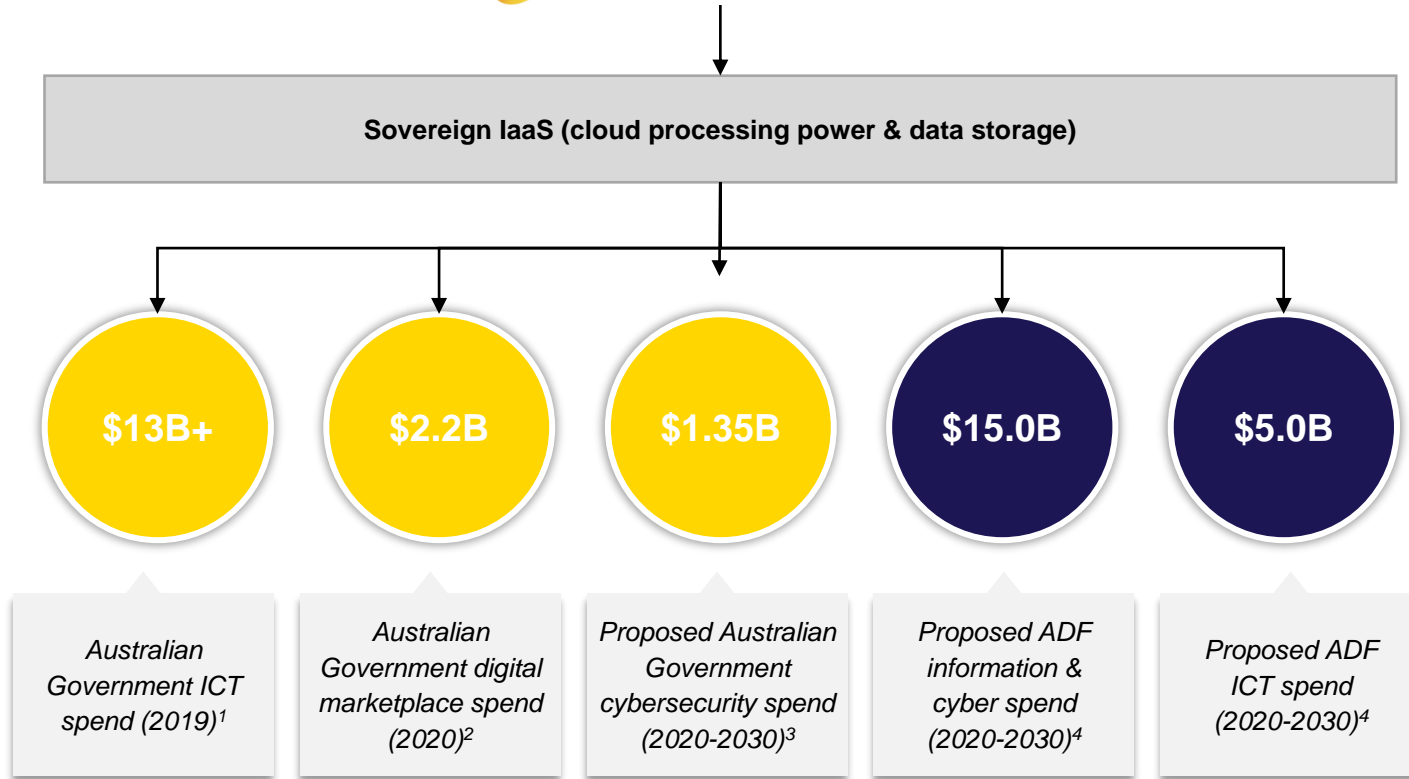1. *Telsyte: Australian IaaS Market soars beyond $1.3bn 17 August 2021 Australian IaaS market soars beyond $1.3Bn — Telsyte.*
2. *Gartner, "Your Data Center May Not Be Dead, but It's Morphing," Henrique Cecci, David Cappuccio, 17 September 2020.*

AUCLOUD

Thirteen Critical Infrastructure Sectors

Critical Infrastructure Sectors

- Aviation
- Communications
- Data Storage & processing
- Defence Industry
- Energy
- Financial services & markets
- Food & Grocery
- Healthcare & Medical
- Higher Education & Research
- Maritime Transport
- Space Technology
- Transport
- Water & Sewerage

- SOCI was recently amended to strengthen the security and resilience of critical infrastructure in Australia

  – Widened coverage from 4 sectors to 13 sectors and 22 asset classes
  – Requirement to report cyber security incidents to the Australian Cyber Security Centre
  – Government Agency (ASD) has additional intervention powers, including: (i) disclosure of information (ii) order an entity to act in a specified way; and (iii) authorise ASD to step in or take direct action where necessary

- Importantly, the recent SOCI amendments have led to a widening of AUCloud's addressable market and the renewed focus on its product offering targeting data sovereignty & security

AUCLOUD

Australian Government Digital Communities

AUCLOUD

Sovereign IaaS (cloud processing power & data storage)

$13B+	$2.2B	$1.35B	$15.0B	$5.0B
Australian Government ICT spend (2019)[1]	Australian Government digital marketplace spend (2020)[2]	Proposed Australian Government cybersecurity spend (2020-2030)[3]	Proposed ADF information & cyber spend (2020-2030)[4]	Proposed ADF ICT spend (2020-2030)[4]

Australia strives to be one of the top three digital Governments in the world by 2025 for the benefit of all Australians

Vision 2025

We will deliver world-leading digital services for the benefit of all Australians

dta

1. Combination of figures from Digital Transformation Agency, NSW and Victoria Government, 2017-2020.
2. Digital Transformation Agency, 2020.
3. Australian Government, 2020.
4. Australian Defence Force (ADF), 2020 Defence Strategic Update.

AUCLOUD

AUCloud Certification

HCF 'Certified Strategic'

- AUCloud secured certification as a "Certified Strategic" Cloud Services Provider under the Australian Government Digital Transformation Agency's Hosting Certification Framework (HCF)

- The HCF was developed to "operationalise the principles outlined in the whole-of-government hosting strategy, and to support the secure management of government systems and data"[1]

- 'Certified Strategic' status represents the highest level of assurance under the framework and recognises AUCloud's sovereign nature of ownership and control over investment decisions

CAAF Phase 2 Authority to Operate

- AUCloud was the first organisation "Authorised" to provide PROTECTED level services, securing Phase 2 "Authority to Operate" under the Australian Cyber Security Centre (ACSC) Cloud Assessment and Authorisation Framework (CAAF) in August 2021

- The CAAF, mandated in July 2020, requires detailed information on ownership and overseas operational access for all data types, including metadata, support and analytics data

- AUCloud, note that the anticipated advantages of the ACSC's Cloud Security Guidance are starting to materialise, benefiting both government customers and service providers, this is in conjunction with a revamp of the IRAP programme and the implementation of additional cloud-based controls in the ISM

VMWare Accreditation

- VMware offered confirmation to AUCloud, as one of the Cloud Service Providers and awarded 'Certified Strategic' status under the Australian Government's new Hosting Certification Framework (HCF).

- The identification of VMware sovereign cloud providers enables government and regulated industry customers to access cloud services with confidence that the confidentiality, integrity and availability of their sovereign data can be assured with the security, compliance and inter-operability expected from VMware technologies

1. *https://www.hostingcertification.gov.au*

Appendix B

Australia's Sovereign Cloud Provider

AUCLOUD

Reconciliation

Reconciliation ($m)	FY22	FY21
Underlying EBITDA	**(11.3)**	**(7.4)**
IPO costs	-	(0.5)
Employee options expenses	(0.1)	(0.2)
Other income	0.4	0.4
Reported EBITDA	**(11.0)**	**(7.7)**
Depreciation & Amortisation[1]	(4.2)	(3.5)
Finance costs[2]	(0.3)	(0.4)
Interest income	0.0	0.0
Profit / (Loss) before tax	**(15.5)**	**(11.6)**

1. *Includes AASB 16 right-of-use asset amortisation charge attributable to the data centre leases of $1.2m (FY21: $1.0m)*
2. *Includes AASB 16 right-of-use asset interest charges attributable to data centre leases of $0.1m (FY21: $0.1m)*

AUCLOUD

Glossary

Term	Definition
AASB	Australian Accounting Standards Board
ACSC	Australian Cyber Security Centre
ADF	Australian Defence Force
API	Australian Programming Interface
ASD	Australian Signals Directorate, Federal Government Agency
CAAF	Cloud Assessment and Authorisation Framework
FTE	Full Time Equivalent employee
GPUaaS	Graphics Processing Unit as a Service
GTM	Go-To-Market
IaaS	Infrastructure as a Service
IaaS Consumption	The revenue recognised based on the aggregated consumption of the IaaS services, excluding implementation, consulting and setup charges or one off non-recurring charges. In the Company's experience it is reasonable to expect IaaS consumption to be repeated in subsequent periods
ICT	Information and Communication Technology
IRAP	Information Security Registered Assessors Program
ISM	Information Security Manual
ISV	Independent Software Vendor
MSP	Managed Service Provider
NEXTDC	NEXTDC Limited
SaaS	Software as a Service
SOCaaS	Security Operations Centre as a Service
SOCI	Security of Critical Infrastructure Act 2018 and subsequent amendments (2021; 2022)
TCV	Total Contract Value - the total value of expected revenue from estimated consumption of Infrastructure as a Service (IaaS), services secured through non enforceable customer contracts (e.g. purchase orders, statement of works). Invoices are raised typically on a monthly basis against these contracts based on actual customer usage. Such contracts generally form part of a larger contractual scope that is less defined but provides overarching commercial terms (e.g. Master Services Agreements, Channel Partner Agreements, Teaming Agreements)
TCV Closed	The aggregated revenue associated with all signed commercial contracts in that period
TCV Outstanding	The remaining aggregated balance of all signed contracts at a point in time, net of any consumption utilised to date recognised against the respective contracts

AUCLOUD